

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 TRSE-00 OMB-01 NSC-05 NSCE-00
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FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0214

S E C R E T LISBON 1289

LIMDIS

DEPT. PASS TREASURY FOR DONALD E. SYVRUD

C O R R E C T E D C O P Y - T E X T

E.O. 11652: XGDS-4
TAGS: ECON, EFIN, PO
SUBJ: MEDIUM-TERM CREDIT FOR PORTUGAL

REF: LISBON 1248

1. ECON COUNSELOR CALLED ON BANK OF PORTUGAL GOVERNOR SILVA LOPES FEBRUARY 15 TO DISCUSS ECONOMIC DATA GOP WILL BEGIN TO FURNISH EMBASSY. SILVA LOPES PROMISED TO ESTABLISH REGULAR PROCEDURE FOR TRANSMISSION OF DATA. HE NOTED, HOWEVER, THAT SEVERAL OF THE REQUESTED ITEMS, E.G. PROJECTION OF 1977 BALANCE OF PAYMENTS AND MONETARY PLANS, WILL NOT BE AVAILABLE UNTIL GOP CONCLUDES ITS NEGOTIATIONS WITH IMF. NEGOTIATIONS ON STANDY AGREEMENT ARE EXPECTED TO RESUME LATE THIS MONTH.

2. SILVA LOPES PROVIDED DATA ON BANK OF PORTUGAL'S LIQUID RESERVE POSITION. AS OF DECEMBER 31, 1976 LIQUID RESERVES STOOD AT \$168 MILLION. IN ADDITION, BANK OF PORTUGAL STILL HAD \$85 MILLION TO DRAW DOWN FROM THE \$250 MILLION CREDIT GRANTED BY EUROPEAN CENTRAL BANKS IN MID-1976. NET LOSS

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OF RESERVES DURING DECEMBER WAS ATTENUATED BY INFLOW OF THE \$50 MILLION NEGOTIATED WITH KREDIETBANK S.A. LUXEMBOURGEOISE, AS WELL AS A \$35 MILLION DEPOSIT FROM A PRIVATE GERMAN BANK. LIQUID RESERVE POSITION AS OF FEBRUARY 10 STOOD AT ONLY \$90 MILLION, DESPITE BANK OF PORTUGAL HAVING DRAWN DOWN THE \$85 MILLION THAT HAD BEEN OUTSTANDING FROM EUROPEAN CENTRAL BANK LOAN

AS OF DECEMBER 31, 1976. IN EFFECT, THEREFORE, BANK OF PORTUGAL LOST RESERVES TOTALLING \$163 MILLION FROM JANUARY 1 THROUGH FEBRUARY 10.

3. GIVEN PRECARIOUS POSITION OF ITS LIQUID RESERVES, BANK OF PORTUGAL HOPES TO BEGIN DRAWING AGAINST \$300 MILLION ESF LOAN DURING THE COMING WEEK. SILVA LOPES ASKED WHETHER ITS REQUEST SHOULD BE DIRECTED TO THE FED IN NEW YORK (AS AGENT) OR TO U.S. TREASURY. ECON COUNSELOR SUGGESTED THAT REQUEST BE SENT DIRECTLY TO FED WITH INFO COPY TO TREASURY. BANK OF PORTUGAL WISHES IN THIS INITIAL REQUEST, TO DRAW \$50 MILLION AGAINST IMF FIRST CREDIT TRANCHE AS WELL AS \$25 MILLION FROM OPTION 4 OF THE ESF AGREEMENT. SILVA LOPES NOTED THAT HE IS STILL UNCERTAIN AS TO WHETHER ESF AGREEMENT HAS DEFINITELY ENTERED INTO FORCE. HE NOTED SPECIFICALLY THAT HE HAS NOT YET RECEIVED RESPONSE FROM HIS TELEX TO TREASURY ACCEPTING FINAL DRAFT OF THE AGREEMENT.

4. EMBASSY HOPES THAT TREASURY WILL NOT DELAY SENDING ITS TELEX, PUTTING AGREEMENT INTO EFFECT, UNTIL RECEIPT OF THE SIGNED TEXTS OF THE ACCORD. EMBASSY CLASSIFIED POUCH WILL NOT LEAVE UNTIL FRIDAY, FEBRUARY 18. THIS DELAY MEANS THAT SIGNED TEXT OF AGREEMENT IS UNLIKELY TO REACH SYVRUD UNTIL SOME TIME DURING THE WEEK OF FEBRUARY 21-25. BANK OF PORTUGAL IS GREATLY PREOCCUPIED, NOT ONLY BY LOW LEVEL OF ITS LIQUID RESERVES, BUT ALSO BY THE EVIDENT GROWTH IN SPECULATION AGAINST THE ESCUDO. CARLUCCI

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Message Attributes

Automatic Decaptioning: Z
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Sent Date: 15-Feb-1977 12:00:00 am
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Decaption Note: 25 YEAR REVIEW
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Disposition Approved on Date:
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Disposition Reason:
Disposition Remarks:
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